

Kazakhstan

The Development Challenge: Kazakhstan has achieved rapid economic growth in recent years and substantial progress in economic reform, yet continues to face major challenges of diversification, competitiveness, and corruption that hamper growth of a sizeable middle class and reduction of the widening gap between rich and poor. While Kazakhstan's GDP growth rate was 9.5% in 2002, mostly due to the rise of the energy sector, approximately 26% of the population continued to live below the poverty line, and per capita income remained at only \$1,600. Huge disparities exist between urban and rural areas, and among regions. For example, as stated in The Economist July 26, 2003 article, "A Survey of Central Asia," over 95% of the rural population in the Caspian Sea border region lives in poverty. This underscores a need to further develop small and medium enterprises, eliminate trade barriers, and expand domestic and foreign investment outside of extractive industries. Despite these economic challenges, Kazakhstan has made major achievements in USAID-supported banking reform and supervision, fiscal reform, small-scale privatization, and pension reform.

Kazakhstan's performance in the transition to democracy has been mixed. Journalists, opposition leaders, and civil society actors have been targeted in the government's attempt to maintain control over society. Institutions, including the media, political parties, civil society, and the judiciary, are at nascent stages, and accountable and transparent government processes are not yet well established. An illustration of this is Freedom House's indices for democratization and rule of law in Kazakhstan, which are 5.88 and 6.13, respectively, with 7.0 indicating the worst possible score. Without a more pluralistic political power structure, achieved through the inculcation of democratic values, this fledgling democracy will continue to struggle. Corruption also continues to be a significant issue in Kazakhstan. According to Transparency International, Kazakhstan ranks 101 out of 133 countries in terms of perceptions of the extent of corruption. One critical human rights issue where some progress has been made is trafficking in persons as indicated by the re-classification of Kazakhstan from Tier III to Tier II in the U.S. Department of State's 2003 Trafficking in Persons report.

With respect to social development, Kazakhstan has experienced unprecedented declines in life expectancy and health status. This is due to a low level (only 2%) of GDP investment in the health sector, compared with international standards of 5% or more, as well as an ineffective health delivery system. A tremendous resurgence of infectious diseases is taking place in Kazakhstan, which poses an immediate threat to the sustainability of the country's transition. Tuberculosis (TB) case notification rates in Kazakhstan are the highest in the world and threaten to grow even higher as multi-drug resistant TB becomes more difficult and costly to cure. Already, current treatment success rates of TB in Kazakhstan are low (approximately 70% compared to an international standard of 85%). While by global standards HIV prevalence in Kazakhstan remains relatively low, there is an escalating trend (from 100 cases in 1996 to 3,730 cases today).

Kazakhstan's tremendous oil and gas resources, and strategic location make it not only a major player in the war on terrorism, but also the key to economic development for Central Asia. A genuine economic and democratic reform agenda would directly advance U.S. national interests. The growing infectious disease rates in Kazakhstan also explain U.S. interest in the country. Given these factors, the fact that GDP growth for Kazakhstan is one of the highest in the world should not distract attention from the need to address the undercurrent of issues that Kazakhstan faces and which could eventually destabilize the country.

The USAID Program: The Program Data Sheets provided below describe six programs for which USAID is requesting funds in FY 2005. The strategy aims to promote the growth of small and medium enterprises and improve the investment climate; promote democratic culture; improve the primary health care system and prevent infectious diseases; encourage better use of the region's water and energy resources; prevent conflict; and support cross-cutting participant training and small grant programs. In the economic growth sector, small and medium enterprise growth, land reform, and trade are USAID priorities. Small and medium enterprise growth, critical to job creation, requires reform of the investment climate by, for example, simplifying business administrative requirements and the tax code. USAID support for land reform is intended to stimulate greater productivity of the agricultural sector, thereby

accelerating economic growth and broadening the benefits of growth. USAID's strategic approach to supporting democracy in Kazakhstan is two-pronged: 1) laying the foundation for democracy by inculcating democratic values; and 2) strengthening democratic processes and institutions that provide a counterbalance to executive power. In the health sector, TB, HIV/AIDS, and health sector reform are priorities. Programs aim to reduce mortality and morbidity rates due to TB, isolate the incidence of HIV/AIDS to the current high-risk group of IV drug users, and encourage the shift from centralized curative care to preventive, primary care. Additionally, USAID programs incorporate cross-cutting components related to youth, gender, rule of law, and anti-corruption. As part of an assistance review, interagency discussions were held in November 2003 that reviewed indicators showing that economic progress masks serious structural deficiencies, human capital indicators have worsened dramatically, and political space is contracting. A need was identified to investigate options for leveraging GOK resources to promote SME development, and to focus resources on the run up to the October 2004 parliamentary elections.

Other Program Elements: Several centrally-managed USAID programs assist the Mission to achieve its goals. EcoLinks, a regional environmental program, fosters partnerships between local businesses, governments, and associations by linking them to counterparts in the United States. The Monitoring and Evaluation to Assess and Use Results Program allows USAID to tap into coordinated, cost-effective, and efficient approaches of data collection to support monitoring and evaluation efforts in the health and nutrition sectors. The Farmer-to-Farmer Program, funded by P.L. 480, complements USAID agricultural enterprise development work. The Eurasia Foundation's small grants program, managed by USAID/Europe & Eurasia, works with the private, public, and non-profit sectors in Kazakhstan to support small business development, encourage civic advocacy, and increase local government responsiveness to citizens' needs. Lastly, USAID's Office of Foreign Disaster Assistance conducts a regional earthquake preparedness activity that targets Almaty. The Departments of Commerce, Defense, Energy, Agriculture, and State manage programs complementary to USAID field activities in various sectors.

Other Donors: The United States is the largest bilateral donor in Kazakhstan, particularly in the health and democracy sectors. A number of other donors are active in Kazakhstan, all of whose assistance is well-coordinated with that of USAID. There is significant donor support in the financial sector. The European Bank for Reconstruction and Development (EBRD), International Bank for Reconstruction and Development (IBRD), European Union (EU), Islamic Development Bank (IDB), U.N. Development Program (UNDP), and the Germans provide assistance for the development of small and medium enterprises. Promotion of international trade (EBRD, IBRD, UNDP, IDB, Germany, and Japan); construction of public infrastructure to advance economic growth (the Asian Development Bank, EBRD, and Germany); and modernization of Kazakhstan's tax, treasury, and banking systems (EU, EBRD, the World Bank, GTZ, and Japan) also attract many donors. Additionally, the EU and the Germans are providing assistance in the agricultural sector; and the UNDP, WB, EBRD, Swiss, Canadians, British, and Danish are assisting with energy and water sector reforms. Open Society Institute, the EU, Germans, and the Organization for Security and Cooperation in Europe support initiatives related to democracy and governance while the U.N. organizations, World Bank, International Federation of Red Cross and Red Crescent Societies, and the German Development Bank are engaged in the health sector. Lastly, Mashav, the Israeli foreign assistance agency, through USAID support, provides training and implements demonstration projects in a variety of natural resource-related and business development areas.

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Small and Medium Sized Enterprise Program
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	115-0131
Proposed FY 2004 Obligation:	\$12,266,000 FSA
Prior Year Unobligated:	\$1,227,000 FSA
Proposed FY 2005 Obligation:	\$9,600,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: USAID's program to improve the environment for the growth of small/medium enterprises includes training and technical assistance to: increase opportunities to acquire business information, knowledge, and skills; support more responsive financial institutions, instruments, and markets; and to improve the implementation of laws and regulations.

Inputs, Outputs, Activities:

FY 2004 Program:

Business Skills and Information (\$5,661,000 FSA, \$434,157 FSA carryover). USAID's Enterprise Development Project (EDP) will provide business and trade advisory services to 300 businesses in five cities across Kazakhstan. It is expected that on average, a client firm's sales will increase by approximately 18%, with a 10% increase in productivity. The Enterprise Development Project will continue training and testing accountants in International Accounting Standards. It expects that 515 Kazakhstan accountants will earn the Certified Accounting Practitioner designation and an additional 50 will earn the advanced Certified International Professional Accountant designation. In addition to advising businesses on quality systems implementation, expert consultants will advise agribusiness firms. USAID will continue to train professors in modern business and economics, and work with administrators at higher education institutions to build capacity and to develop economics and business programs that meet international standards. Further assistance will go towards connecting institutions to the internet via the "Virtual Silk Road Project." USAID, in partnership with Junior Achievement International, will provide business and economics training to middle and high school teachers and build administrative capacity for sustainability. USAID is also funding seven scholarships to the Kazakhstan Institute for Management and Economic Research. Principal contractors/grantees: Pragma Corporation (prime), MASHAV (prime), Carana Corporation (prime), Junior Achievement International (prime), and KIMEP (prime).

Access to Capital (\$4,180,000 FSA, \$705,000 FSA carryover). USAID's Financial Sector Initiative will assist in creating a national mortgage guarantee fund and the establishment of a credit bureau. The project will also advise commercial banks on issuing mortgage-backed securities. Additionally, legislation allowing the creation of new financial instruments, such as asset-backed securities, will be drafted. USAID's partnership with European Bank for Reconstruction and Development's Micro & Small Enterprise Finance Facility will continue through training 580 loan officers at participating commercial banks in portfolio management skills. USAID will work to improve leasing terms and legislation, increasing opportunities for small/medium enterprises. USAID will also support the Small Enterprise Assistance Fund, which will make four equity investments in promising local businesses. Principal contractors/grantees: Pragma Corporation (prime), International Finance Corporation (prime), Small Enterprise Assistance Fund (prime), and European Bank for Reconstruction and Development (prime).

Improve the Implementation of Laws and Regulations (\$2,425,000 FSA, \$87,437 FSA carryover). USAID's Trade Facilitation & Investment activity will continue working with associations and government across Kazakhstan to improve the legal and regulatory environment for businesses. The project will form partnerships with eight associations in order to train association staff in administrative and advocacy

skills, and to transfer methodologies for reducing investment constraints. The project will also work with the government to prepare for World Trade Organization accession by assisting on a draft law for technical regulations, and by training the employees of the state standards organization in the use of modern metrology equipment. Principal contractor/grantee: Pragma Corporation.

FY 2005 Program:

Business Skills and Information (\$5,005,000 FSA). The Enterprise Development Project will continue delivering advisory services and training with a particular focus on the implementation of accounting standards in client businesses. The project may expand to build local consulting capacity in cooperation with the EdNet project by developing the expertise found in academic institutions to deliver consulting services. The project will further train accountants in higher levels of accounting standards to produce more Certified International Professional Accountants. The development of a regional testing and certification organization is expected to result in its independence and sustainability. Principal contractor/grantee: Pragma Corporation.

Access to Capital (\$1,745,000 FSA). Assistance from the Financial Sector Initiative activity is expected to end in 2005. The country program may draw from Kazakhstan's success in this area through a regional Economic Policy program that would utilize USAID experience in Kazakhstan for assistance to other Central Asian republics. Principal contractor/grantee: to be determined through a competitive process.

Improve the Implementation of Laws and Regulations (\$2,850,000 FSA). USAID will focus further on transferring technical capacities to local associations to advocate for improved laws and policies for business. Progress on World Trade Organization accession is expected to continue and the project will deliver training and technical advice, especially in making the necessary changes to the legal framework. USAID will also provide further assistance in developing regulations for land registration systems and expanding legal aid to farmers through associations. Principal contractor/grantee: Pragma Corporation.

Performance and Results: USAID's assistance in the development of the mortgage industry showed impressive results as mortgage lending surpassed \$200 million, up from \$40 million the previous year. Technical assistance aided the issuance of \$4.5 million in mortgage-backed securities, which helped meet the demand of privatized pension funds to diversify their portfolios and enabled the issuing institutions to expand their mortgage portfolios. With the assistance of our business advisors, one Kazakhstan firm secured a \$12 million deal with a U.S. pharmaceutical company. Forty-seven trade deals worth over \$2.5 million were also completed during the past year. Commercial banks now recognize loans to small/medium enterprises can be a profitable venture. The result of this recognition is increased competition among banks for these clients and lower interest rates, in many cases dropping from 20% to 14% over the past two years.

By program's end, small/medium enterprises will be more competitive and reforms to the regulatory and legal environment will help foster their further development. The sustained growth of small/medium enterprises is critical to employment and income generation. In addition, entrepreneurs will have greater access to credit and the modern business skills and knowledge to start up and run successful businesses. Kazakhstan will have acceded to the World Trade Organization and have a compliant technical standards regime. Business associations will be effective voices for policy change and capable of providing quality services to their members.

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Energy and Water
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	115-0161
Proposed FY 2004 Obligation:	\$1,973,000 FSA
Prior Year Unobligated:	\$500,000 FSA
Proposed FY 2005 Obligation:	\$1,150,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: USAID's water and energy activities are focused on improving Kazakhstan's capacity to manage natural resources and energy, through well-directed technical assistance, the introduction of improved technologies accompanied by selected training, targeted public outreach, and similar actions leading to better management of critical resources. This includes activities which seek to broaden public participation in energy and related decision-making and improve government's capacity to effectively regulate oil, gas, and electric resources.

Inputs, Outputs, Activities:

FY 2004 Program:

Improve Transparency, and Public Participation in the Management of Energy and Water Resources (\$1,673,000 FSA, \$499,725 FSA carryover). USAID will provide further assistance to the Ministry of Energy and Natural Resources to enable the government to establish and maintain a series of databases to track production and related information in the oil and gas arena. The information from these databases is critical to informed decision-making, and would be available to both public and private entities. USAID's support will provide technical assistance, training, and in some cases, specialized hardware and software to create systems and networks that will assure information sharing. In order to help assure the success of planned changes this year in the tendering process for issuing lease sales related to upcoming tenders of oil and gas blocks in the Caspian Sea, USAID will provide assistance in partnership with the U.S. Department of Interior's Minerals Management Service. Specialized training and technical advice will help Ministry officials to understand and follow lease and tendering processes that are consistent with industry standards worldwide. These standards are more open and transparent than those used in Kazakhstan in the past. This work helps reinforce USAID's overall goals for enhancing resource management by providing the foundations for public disclosure of key sector data and transparency in operations within the industry, all of which are required for Kazakhstan to become recognized as a key supplier to the east-west corridor pipelines. Additional USAID activities in FY 2004 will build on past successes by further strengthening key local natural resource-oriented NGOs, heightening their leadership capacity and enabling them to participate more fully in the policy arena with government. Several public service announcements will be developed and widely broadcast in Kazakhstan to increase public awareness of important resources issues in the country. Other public outreach activities, many of them performed in conjunction with training opportunities, will continue to create grassroots support for improved access to services, increased transparency, and enhanced resources management. Principal contractor: PA Government Services.

Support a Development Credit Authority Program (DCA) in the Energy and Water Sector (\$300,000 FSA). USAID will fund a new activity to stimulate expanded private sector investment in the energy and water sectors of Kazakhstan. The program will specifically target and partially guarantee loans to private firms or other entities for implementing energy savings measures or for improved municipal/potable water systems. In addition to loan guarantees, the program contemplates the use of funding for technical assistance to assist interested potential borrowers in preparing the documentation required by participating lending institutions. Principal contractor: to be determined.

FY 2005 Program:

Improve Transparency and Public Participation in the Management of Energy and Water Resources (\$1,150,000 FSA). USAID will continue to provide training and technical assistance to strengthen the regulatory framework and the government's capacity to collect, analyze, and share an open and accessible database of information on oil and gas production, and to develop high standards for oil and gas leasing. USAID's energy sector program for Kazakhstan directly addresses these issues by improving the knowledge base and management capability of public entities responsible for managing the sector, and by directly supporting the creation and strengthening of public awareness and strong NGO organizations to serve as advocates for the public. Principal contractor: PA Government Services.

Support a Development Credit Authority Program in the Energy and Water Sector (\$0 FSA). USAID plans to begin a program through USAID's Development Credit Authority facility to stimulate the adoption of beneficial investment in local energy infrastructure, while also promoting energy-saving technologies throughout the country. This program holds great potential in Kazakhstan and could go far to address the deteriorating condition of energy infrastructure in the country. It is anticipated that the program would support loans for such activities as the installation and utilization of energy-saving technologies or improvements in water delivery service. Principal contractor: to be determined.

Performance and Results: USAID's activities in energy broaden and deepen public advocacy in natural resources and promote related transparency, openness, and public participation. The primary vehicles for this assistance are pilot demonstration models, effective training, public outreach, and technical assistance. In 2003, successful heating efficiency demonstration models were completed in the city of Atyrau. At the conclusion of the heating season, it was demonstrated that the technology USAID introduced achieved a 26% energy savings. Data from only four model locations was sufficient to convince Atyrau city and utility officials to acquire and install, using their own resources, equipment at 18 additional locations, with six more planned by the end of 2003. Innovative training for Ministry officials assured that generally well-recognized tendering procedures will be adopted and used by the Ministry in a series of planned oil and gas leasing tenders during FY 2004. USAID's work with the city of Almaty's Department of Social Protection was responsible for significantly improving both the level of customer service by the department as well as the coverage of the city's safety net program to assist the poor in paying their electric bills. Most important, the program emphasizes the practicality of subsidizing people rather than utility companies, and proves that effective safety net programs are possible while utilities shift to market-based rates. USAID support has been instrumental in the development and support of three important industry associations, the Kazakhstan Electricity Association, the Kazakhstan Petroleum Association, and the Kazakhstan Business Association for Sustainable Development, the first such association in the former Soviet Union. These entities have become leaders in promoting industry interest and concern for effective, efficient, and environmentally-sound policies and reforms in the management of the energy and water sectors.

By program completion, regulations for more environmentally responsible management of oil and gas fields will be in place. Demonstration models on improving heating efficiency in buildings will have been implemented, and specialists will be trained to effectively utilize and replicate these models. Improved systems for collecting, analyzing, and transmitting weather and water resources data will also be in operation. An improved legislative environment will bring about a more transparent tariff and regulatory system with more citizen involvement in the petroleum and electricity sectors.

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Strengthened Democratic Culture
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	115-0211
Proposed FY 2004 Obligation:	\$5,283,000 FSA
Prior Year Unobligated:	\$860,000 FSA
Proposed FY 2005 Obligation:	\$5,450,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: USAID's democracy activities in Kazakhstan strengthen democratic culture among citizens and target institutions by: creating stronger civic organizations; increasing the availability of information on civic rights and domestic public issues; enhancing opportunities for citizen participation in governance; and helping public institutions become more responsive and accountable.

Inputs, Outputs, Activities:

FY 2004 Program:

Civic Organizations (\$1,561,421 FSA, \$574,452 FSA carryover). USAID will develop civil society organizations in Kazakhstan through its support to a national NGO resource center network. The network will provide training and legal consultations to NGOs, and distribute grants to local communities to support advocacy. The network will also provide social enterprise grants to help NGOs diversify their income. In the area of human rights, USAID will support a training program in Kazakhstan that will increase human rights defenders' knowledge and understanding of international human rights mechanisms for monitoring and reporting abuses. In FY 2004, USAID will continue to support efforts to reduce human trafficking by working with local NGOs to increase the public's understanding of the issue, improve anti-trafficking legislation, and develop initiatives aimed at protecting returned trafficking victims. Principal contractors/grantees: Counterpart (prime), the International Center for Not-for-Profit Law (sub), Social Impact (sub), the International Organization for Migration(sub), and others to be determined through competition.

Citizen Participation (\$1,117,178 FSA). USAID's political process efforts will be increased in FY 2004 since there are indications that the government may improve the election law and its implementation for the parliamentary elections next fall. Personalized political party training will be important to ensure that opposition and moderate parties are competitive in the fall elections. Civic advocacy work will also focus on the parliamentary elections. Following the elections, USAID will evaluate its civic advocacy program and design an activity for a follow up program aimed at increasing the range of NGOs in the country that are involved in direct advocacy. Principal contractors/grantees: the National Democratic Institute (prime), the International Republican Institute (prime), and others to be determined through competition.

Media and Information (\$1,455,087 FSA, \$285,944 FSA carryover). USAID will support actions to influence the content of the new draft law on media aimed at improving the law to provide for a more independent media. USAID will bolster its media advocacy work through local NGOs and associations. USAID will procure a new media initiative, to increase public discussion of social issues and freedom of speech, as well as to provide on-going assistance to all types of independent media outlets. USAID's civic education activity will continue, with the goal to introduce a new civic education textbook to an additional 100 schools. USAID will support the Kazakhstan Reading Association and Debate Clubs to develop students' critical thinking skills. In 2004, the Reading Association program will be refocused in order to build synergies between it and USAID's civic education program. Principal contractors/grantees: the Soros Foundation (prime), the International Foundation for Election Systems (prime), and others to be determined through competition.

Accountable Public Institutions (\$1,149,314 FSA). USAID's judicial reform program will begin in January 2004. The program will provide continuing legal education to sitting judges and will increase transparency of the judiciary by disseminating judicial decisions and by piloting a court recording program. USAID will solicit proposals for a newly designed legal reform program, which focuses primarily on improving legal education. In its final year, USAID's local government program will provide support to small cities on economic development issues, with a focus on public-private partnerships through community-based economic development committees. Principal contractors/grantees: the Urban Institute (prime), Institutional Reform and the Informal Sector (prime), and others to be determined through competition.

FY 2005 Program:

Civic Organizations (\$1,876,018 FSA). USAID will assist NGOs to improve their advocacy skills by concentrating assistance to advocacy-oriented NGOs. Continued assistance will be given to the network of NGO resource centers, so that the network can be a sustainable, independent entity. Training and services will be provided to indigenous organizations through this network. USAID's human rights initiative will provide technical assistance, training, and information resources to local human rights organizations. Combating human trafficking will continue to be an important priority for USAID. Principal contractors/grantees: same as above.

Citizen Participation (\$938,374 FSA). Following the fall 2004 parliamentary elections, USAID will evaluate its political party program and design a follow-on effort. USAID's civic advocacy program will focus on increasing the number of NGOs around the country that are involved in national-level campaigns. Principal contractors/grantees: same as above.

Media and Information (\$1,697,234 FSA). In FY 2005, USAID's media efforts will seek to improve Kazakhstan citizens' access to diverse sources of information, assist independent television stations in becoming more sustainable, and improve independent television and radio stations' capability to generate revenues. USAID will seek to introduce its civic education course to additional schools, and lobby the government to get the civic education course to be a part of the core curriculum. Principal contractors/grantees: same as above.

Accountable Public Institutions (\$938,374 FSA). USAID will continue its efforts to reform the mechanisms used to determine how judges are trained on substantive and procedural legal topics. Legal education will continue to be a top priority under our legal reform effort. Principal contractors/grantees: same as above.

Performance and Results: The greatest success under this strategic objective this year was President Nazarbaev's announcement of the government's withdrawal of a restrictive NGO law. This action came about after heavy lobbying by the NGO community. Unfortunately, Kazakhstan's scores on the USAID NGO Sustainability Index went down slightly this year, except for the score for "advocacy" which improved slightly. After a turbulent year in 2002, the media sector remained at a standstill this past year. International organizations and local media outlets continue to monitor the government's efforts to implement a new media law. On the elections front, the new Political Parties law was implemented, and re-registration requirements resulted in the narrowing of the political spectrum. Local elections held in September revealed significant weaknesses in the election law, which is being revised for next year's parliamentary elections. In spite of the difficult environment, USAID had considerable success in its civic education program, increasing the number of students participating by 12,000, to almost 36,000. Finally, significant cooperation between the government, USAID and the U.S. Embassy resulted in Kazakhstan moving from Tier III to Tier II on the State Department's Annual Trafficking in Persons (TIP) report, thereby avoiding sanctions.

By program's end, there will be stronger and more sustainable civic organizations; increased availability of information on civic rights and domestic public issues; enhanced opportunities for citizen participation in governance; and more effective, responsive, and accountable public institutions.

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Conflict Prevention
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	115-0240
Proposed FY 2004 Obligation:	\$423,000 FSA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	2004
Year of Final Obligation:	FY 2005

Summary: Conflict prevention activities strengthen vulnerable communities and ease local tensions through public dialogue and improvement of small-scale social and physical infrastructure. USAID addresses both the root and immediate causes of potential conflict through its conflict prevention objective. Since many conflicts in Central Asia have arisen at the community (rather than international) level and the U.S. Government's ability to change structural factors at the national level is limited, the conflict prevention strategy focuses on giving citizens opportunities to participate in decisions that affect their communities, improve living standards, and provide skills and experience that will diminish the potential for conflict. Community action programs, targeted where risks of communal or religious conflicts are greatest, are designed to increase citizen participation in community decision making and local government, and contribute to mitigating sources of conflict by promoting economic recovery and inter-ethnic cooperation. In Kazakhstan, the program is focused on the southern part of the country (Almaty, Zhambul and South Kazakhstan oblasts), where threats of religious extremism are most prevalent. Relative to other regions of the country, southern Kazakhstan is extremely poor, one of several conditions increasing the potential for conflict. Conflict prevention activities began in FY 2002 and have previously been reported under the Mission's cross-cutting program. Since the conflict program will become a special objective in FY 2004, it is being notified separately for FY 2004 funding.

Inputs, Outputs, Activities:

FY 2004 Program:

Conflict Prevention (\$423,000 FSA). The conflict prevention activity will remain active in the 15 initially targeted communities, and the communities added during the FY 2003 expansion, in Southern Kazakhstan, Almaty, and Zhambul oblasts. USAID will continue to work more closely with other partners to fold into ongoing community strengthening efforts, particularly related to economic opportunities for urban youth, and to decrease the attractiveness of extremist organizations and the drug culture. Principal contractor/grantee: Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance.

FY 2005 Program:

Performance and Results: Conflict prevention activities are currently underway in 12 communities (of 15 originally targeted) in southern Kazakhstan, where residents have carried out 21 projects (e.g., repair of health clinics, water systems, and schools) in an effort to decrease the level of local tension. Over 75,000 people have benefited from this program. In Turkistan, a pilgrimage site for faithful Kazakhstan Muslims and a hub for extremist activity in Kazakhstan, two youth centers were renovated in FY 2003. The youth centers serve as a place where youth can spend time in sports or cultural activities after school, an attractive alternative to extremist groups and drug gangs. Another community near Turkistan which is experiencing "urban creep" on its farms was able to renovate the irrigation structure on newly-assigned farm land, thereby retaining employment for many farmers and, potentially, creating more future employment opportunities. Similar public works activities in newly-targeted vulnerable communities in

Shymkent and along the Uzbek border promise stronger local government ties to their constituencies, greater satisfaction with local services, and a higher level of trust in general among residents. Baseline data from polls measuring these factors in target communities was obtained this fiscal year. We expect to see positive movement of the indicators throughout the life of the project. By program's end, there will be an increased number of communities reporting lessened tension or resolved conflicts, strengthened community participation, and improved local services through community decisions.

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Health and Population
Pillar:	Global Health
Strategic Objective:	115-0320
Proposed FY 2004 Obligation:	\$4,880,000 FSA
Prior Year Unobligated:	\$2,278,000 FSA
Proposed FY 2005 Obligation:	\$3,800,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: USAID's quality primary health care (PHC) objective is aimed at: creating a higher quality, user-friendly, more cost-effective PHC system in select oblasts through improving health education; retraining doctors and nurses in family medicine and implementing incentive-based provider payment systems; awarding NGOs small grants to implement health projects; reducing conflict through sports and health education programs aimed at youth; controlling tuberculosis (TB) by training doctors and lab specialists, improving the monitoring of TB labs and facilities, as well as establishing modern computerized surveillance methods; and containing the concentrated HIV epidemic among injecting drug users by increasing NGOs' preventive efforts, social marketing, mapping high HIV transmission areas, and establishing a surveillance system to document HIV levels.

Inputs, Outputs, Activities:

FY 2004 Program:

Increase the Quality of Primary Health Care (\$2,975,394 FSA, \$136,960 FSA carryover). USAID assistance to the Ministry of Health in health finance will continue at national and oblast levels. USAID will assist the Ministry to design polyclinic payment systems, implement per capita financing in Almaty, and plan a national health information system. Healthy behaviors will be promoted through campaigns in four oblasts, and PHC clients will receive health education related to hypertension and reduction of antibiotic use. The Red Apple Reproductive Health Hotline will continue. USAID will support the Kazakhstan Association of Family Practitioners to provide evidence-based family medicine retraining nationwide. New partnerships will improve pre-service medical education and strengthen nursing leadership. The health partnership with Demeu Family Medicine Center in Astana will expand its model of social services to additional Kazakhstani communities. USAID will award NGOs small grants to implement community health projects. Principal contractors/grantees: Abt Associates (prime), American International Health Alliance (AIHA) (prime), Counterpart Consortium (prime), and to be determined.

Control TB and Other Infectious Diseases (\$180,000 FSA, \$770,880 FSA carryover). USAID will launch a new, five-year TB Control Program to strengthen surveillance, lab quality, and rational drug management within a reforming health care system. The program will emphasize controlling rising drug resistance and strategies to address increasing HIV/TB co-infection. Improved coordination will be sought between health and penal systems and between organizations and donors. The Applied Epidemiology program will continue. Principal contractors/grantees: Centers for Disease Control (CDC) (prime) and to be determined.

Prevent the Spread of HIV/AIDS (\$550,000 FSA, \$1,370,000 FSA carryover). CDC will continue to establish HIV sentinel surveillance in four sites with modern virology lab equipment. A new comprehensive HIV/AIDS prevention activity will help NGOs to expand their service coverage for high risk groups. USAID will assist with antiretroviral use, opportunistic infections treatment, and counseling and testing services. Social marketing of condoms will continue. USAID will assist the government in implementing its \$22 million grant from the Global Fund to Fight AIDS, TB, and Malaria (GFATM).

Principal contractors/grantees: CDC (prime), Population Services International (prime), and to be determined.

Improve Maternal and Child Health Services (\$1,174,606 FSA). USAID will continue training in safe motherhood and integrated management of childhood illnesses to better manage obstetric and pre-natal care and serious childhood illnesses. Principal contractors/grantees: Abt Associates (prime) and to be determined.

FY 2005 Program:

Increase the Quality of Primary Health Care (\$1,363,000 FSA). USAID will award a new health reform contract to expand quality improvement pilots and health finance and information systems geographically. USAID will continue small grant support to health sector NGOs. The Demeu Family Medicine Center in Astana will pilot activities for sustainable health and social services. Principal contractors/grantees: same as above.

Control TB and Other Infectious Diseases (\$777,120 FSA). USAID's new program will emphasize training in lab diagnostics; continue to train monitoring teams; train PHC doctors to diagnose and treat TB patients in communities; and extend pilots on treating TB in prisons and on multi-drug resistant TB. USAID will continue funding Applied Epidemiology training. Principal contractors/grantees: same as above.

Prevent the Spread of HIV/AIDS (\$1,150,000 FSA). USAID will continue establishing HIV/AIDS surveillance of high-risk groups, building on the sentinel sites to initiate a national program. Other infectious disease surveillance activities will be integrated to reinforce sector reform. Lab diagnostic quality will be further developed. USAID will continue funding HIV/AIDS NGOs' preventive programs and assisting the Government with implementation of the GFATM grant, with special attention to techniques to determine the true numbers at risk. Principal contractors/grantees: CDC (prime) and to be determined.

Improve Maternal and Child Health Services (\$509,880 FSA). USAID will expand training in safe motherhood and integrated management of childhood illnesses, and add training in infection prevention, breast feeding and nutrition as part of provider training in quality primary health services. Principal contractors/grantees: to be determined.

Performance and Results: Reformed PHC practices cover 41.5% of Kazakhstan's population. People are increasingly relying on PHC practices instead of specialty polyclinics, with PHC visits comprising 48.8% (42% target) of total outpatient visits. PHC is better funded, with total health expenditures by the Government of Kazakhstan (GOK) doubling last year. The Parliament mandated combining health funds at the oblast-level for more equitable, efficient redistribution to lower levels and affirmed people's right to choose their own doctor. The Kazakhstan Business Women's Association leveraged funding to extend the Red Apple Reproductive Health Hotline to three new cities. A Healthy Communities Small Grant program competitively funded 19 health projects that benefit communities across the country.

TB deaths continue to decrease. Of those who started treatment in 2001, 74.6% (78% target) were cured. Results from nationwide monitoring indicate that TB laboratories' and facilities' average scores on minimum standards checklists ---exceeded targets at 90.4% for labs (80% target) and nearly met targets at 79.7% of facilities (80% target). USAID and CDC have established four HIV sentinel sites to collect reliable information on HIV levels in high risk populations. USAID's preventive work with 12 HIV/AIDS NGOs reached approximately 5% of drug users nationwide. Access to affordable, high quality condoms increased, with 1.2 million sold and 20,000 distributed through outreach activities. More than 20,000 youth have been reached by their peers with messages about responsible sexual behavior and prevention of sexually transmitted infections.

With the successful completion of this objective, Kazakhstan will have a national health finance and health information system; an established family medicine specialization in academic institutions; coordinated comprehensive HIV/AIDS program that includes prevention, care, and treatment; and a TB program that reaches the international goal of 85% treatment success.

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Cross-Cutting Programs
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	115-0420
Proposed FY 2004 Obligation:	\$3,157,000 FSA
Prior Year Unobligated:	\$601,000 FSA
Proposed FY 2005 Obligation:	\$1,619,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: This cross-cutting program supports all of USAID's strategic objectives, and includes three main components: training and exchanges to support USAID's technical assistance programs in areas directly relevant to primary health care, and the transition to democracy and a free-market economy; sub-grants by the Eurasia Foundation to strengthen NGOs working in private enterprise development, civil society, public policy, and media; and program development support for cross-cutting evaluations, studies, technical assistance, and management support.

Inputs, Outputs, Activities:

FY 2004 Program:

Participant Training (\$1,000,000 FSA). USAID will continue participant training to complement its ongoing technical assistance in Kazakhstan. More than 3,000 participants will be trained in Kazakhstan during FY 2004. There will be greater emphasis on more cost-effective in-country and regional training programs, in addition to the training that takes place in the United States and third countries. Training will support USAID's technical assistance in fiscal reform, small/medium enterprise development, democratic reform, local governance, health-care reform, energy and water resources, conflict resolution, education reform, and various cross-cutting objectives. Principal contractor/grantee: Academy for Educational Development.

Conflict Prevention (\$550,000 FSA carryover). This activity will remain active in the 15 initial communities, and the communities added during the FY 2003 expansion, in Southern Kazakhstan, Almaty, and Zhambul oblasts. USAID will continue to work more closely with other partners to fold into ongoing community strengthening efforts, particularly related to economic opportunities for urban youth, and to decrease the attractiveness of extremist organizations and the drug culture. Principal contractor/grantee: Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance.

Eurasia Foundation (\$942,000 FSA). Eurasia will continue to target NGOs that contribute to private sector development and civil society strengthening. Principal contractor/grantee: Eurasia Foundation.

Program Support (\$1,215,000 FSA, \$51,231 FSA carryover). A wide-range of program and personnel support activities will continue. As required, funding will enable USAID to support unanticipated opportunities to advance or reinforce USAID objectives of democratic and economic reform. Program personnel essential to the implementation of program activities will be supported by this category.

FY 2005 Program:

Participant Training (\$1,000,000 FSA). USAID plans to extend the agreement for the participant training activity in 2005. Based on an evaluation of 10 years of training that was conducted in FY 2003 and an intensive review with past participants, USAID will examine how the program can be re-designed for increased sector impact. Principal contractor/grantee: Academy for Educational Development.

Eurasia Foundation (\$424,242 FSA). The Eurasia Foundation will continue to provide grants on an open-door basis in all three sectors (private enterprise, civil society, and public administration) to NGOs in Kazakhstan. Principal contractor/grantee: same as above.

Program Support (\$195,130 FSA). A wide-range of program and personnel support activities will continue. As required, funding will enable USAID to support unanticipated opportunities to advance or reinforce USAID objectives. Assessments for continuation of the current strategy are planned for funding. Program personnel essential to the implementation of program activities will be supported by this category.

Performance and Results: In FY 2003, USAID trained over 3,000 Kazakhstan citizens (approximately 50% of who were women) in the areas of microfinance institution development, SME development, NGO advocacy, business education, and health care management. The overall impact of USAID's training programs in these areas has been broad and deep, as illustrated by the following examples.

After in-country training related to lobbying and increased citizen participation in legislation, members of the Youth Information Service of Kazakhstan successfully lobbied Parliament to change the draft law "On Youth Policy." Members collected 32 signatures from deputy parliamentarians who supported their position that the draft law was unconstitutional. Then, members submitted 18 amendments to the draft law and worked closely with the appropriate parliamentary working group to encourage consideration of the proposed amendments. As a result of these lobbying efforts, the draft law was officially stopped in parliament and sent back to the Ministry of Culture for rewrite.

Knowledge and skills gleaned from an in-country nursing management workshop prompted a participant from west Kazakhstan to organize a nursing association with 2,000 members in Uralsk. The Uralsk Nursing Association conducts training related to nursing management and leadership at both nursing schools and to nursing professionals. The association also provides financial assistance (derived from membership fees, donations and sponsorships) to members for licensing exams. In total, the association has given approximately \$7,000 worth of financial assistance to its members. In addition, the association issues methodological literature to nurses across the entire Uralsk Region.

In FY 2003, the Eurasia Foundation awarded 53 grants to Kazakhstan NGOs, totaling nearly \$960,000 (including non-USG funding over \$200,000). About 40% of these grant funds supported private enterprise development, with the remainder targeting improvements in the areas of civil society, public policy, and administration. Between direct funding and leveraged contributions, Eurasia Foundation raised more than \$0.75 for every U.S. government dollar it expended in FY 2003, and increased the percentage of leveraged grants to 42%.

During FY 2003, the Eurasia Foundation inaugurated three new initiatives in Kazakhstan related to cross-border trade, ecotourism, and transparent budgeting. Under the Russia-Kazakhstan Cross Border Trade Initiative, jointly implemented by the Eurasia Foundation and the Organization for Security and Cooperation in Europe, USAID facilitated cross-border trade by reducing customs barriers. Through the Open Budget Initiative, USAID assistance targeted at 30 NGOs engaged in budget-related public advocacy resulted in the approval by the Almaty City legislature of a program for rehabilitation of disabled people. And, through the multi-donor Ecotourism Initiative, USAID provided assistance to four pilot projects to develop ecological tourism, raise the capital inflow to remote regions, and contribute to the preservation of natural resources.

Simultaneously, the Eurasia Foundation continued work on other initiatives begun in FY 2002, including two related to micro-credit and media. The Eurasia Foundation's joint Micro-Credit Initiative with Karachaganak Petroleum and the local administration in West Kazakhstan Oblast provided loan capital to three micro-finance institutions. In turn, the institutions disbursed 165 loans totaling \$156,213 to farmers and small-scale entrepreneurs, creating 74 jobs. Through the Regional Independent Media Support Initiative, the Eurasia Foundation provided the staff of 13 Kazakhstan newspapers with business skills, enabling the newspapers to become financially and thus politically independent. As a result, six papers increased advertising revenues and seven reported circulation increases within one year.